

Dell Streamlines Indirect Procurement with Ariba Buyer  
By Dell Computer Corporation (Issue 1 2001)

*Dell needed to update its procurement process to support a dynamic trading network and move into next-generation e-commerce initiatives. Dell implemented Ariba Buyer, a leading e-procurement solution that automates and streamlines sourcing, buying, and many business processes between Dell and its suppliers. As a result, Dell expects both the average cost and completion time of a purchase requisition to drop by more than 60 percent.*

With nearly 40,000 employees spread out across several U.S. campuses and around the world, Dell is a Texas-sized business. Keeping these employees supplied with everything from software to security services can be an expensive and time-consuming process; however, Dell recently improved its sourcing and buying processes significantly by implementing Ariba Buyer™.

Completing purchase orders at Dell used to be a time- and labor-intensive process. Employees were required to complete a form for every step of the purchase order process—including coding by hand information about suppliers, part numbers, and costs every time they ordered an item, and then collecting as many as ten approval signatures. Buyers then reentered the data into two different systems: the legacy purchasing system and a homegrown Access database used for metrics reporting.

Dell was unable to track purchases by commodity with the paper-based process, nor could the company thoroughly analyze its purchasing patterns—where and from whom it was buying supplies and for how much. Dell's basic procurement process was ready for a change.

Dell streamlines for savings

Although Dell's primary goal was to reduce its procurement cycle and costs by 60 percent, the company saw many other potential benefits from implementing a procurement application. By streamlining its supply base, Dell planned to eliminate maverick spending and standardize the order process with core suppliers to provide improved quality and volume discounts. With this in mind, Dell evaluated three e-procurement systems based on five criteria:

- User-friendly interface, enabling all Dell® employees to utilize the system effectively
- Compatibility with the existing IT platform of Dell servers, Microsoft® Windows NT®, and Microsoft SQL Server
- e-Commerce links to a broad base of suppliers
- Integration with existing back-end systems
- Cost-effectiveness

The evaluation team gave Ariba Buyer the highest marks overall, particularly for its ability to scale well on Windows NT and SQL Server.

A big-tent implementation

The Ariba implementation team at Dell spent seven months creating nearly 20 interfaces to connect Ariba Buyer and Dell's legacy systems. The implementation team built links between Ariba and Dell's purchase order, cost center, catalog data, employee data, accounting code validation, and other systems. The goal was to ensure that only fully validated orders were processed and fulfilled. The final product is an online purchasing system called the Dell Internet Requisition Tool (DIREQT).

To ensure a smooth and speedy implementation, Dell adopted a "big tent" strategy that allowed the company to immediately begin using Ariba Buyer, while steadily making improvements over the next few months. This "big tent" approach—raising the whole system at once rather than one function at a time—allowed Dell to transfer all purchase orders into the new system quickly, eliminating employee confusion and the high cost of maintaining two



**EXHIBIT**

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Figure 1. Ariba Buyer solution architecture

Minutes to buy

Today, DIREQT facilitates simplified online purchasing of supplies and services. Once employees log onto DIREQT's secure Web site, they can conduct searches for a particular product, service, or supplier. Searches quickly return accurate status reports.

Within minutes, Ariba Buyer transfers the requisition and catalog items directly to the appropriate cost center manager, who is then able to sign the order electronically. Then, the system automatically builds an approval chain and directs the requisition through a network of employees. If the item is not already in the catalog, Ariba Buyer adds a Dell buyer, who sources the item and submits the requisition for final signatures.

Once approved, the requisition moves to the Ariba Commerce Services Network (ACSN), a shared network infrastructure that enables connectivity between buyers, suppliers, marketplaces, and service providers on the Ariba B2B Commerce Platform. Through the ACSN, Ariba communicates orders to suppliers—including shipping orders via Extensive Markup Language (XML), e-mail, faxes, or electronic data interchange (EDI).

In addition to routing requisition orders, Ariba Buyer also facilitates Dell's payment process. When Dell's central receiving department creates receipts for goods shipped to the company, the receipts are automatically matched to the appropriate invoice, which has already been entered into the system by accounts payable processors. Purchasers create receipts for services received, which are also automatically matched. This process eliminates time-consuming routing of service invoices to purchasers for approval.

60 percent reduction in time and cost

With Ariba Buyer, Dell projects it will reduce the requisition cycle time by 62 percent, and alleviate operational costs by 61 percent. Yet Dell believes the company will benefit even more in the long run from the insight into the buying process gained from consolidating customer information. With Ariba fully deployed, Dell now gathers data needed to analyze its supply base and reevaluate key business for consulting; marketing communications services; maintenance, repair, and operations (MRO); office products; and other types of expenditures.

Dell has more plans to update purchasing processes in the future—including instituting online auctions for commodities such as shipping, printing, and paper. Dell also plans to give suppliers Web access to order status, receipts, and payment information. In the near future, Dell plans to expand its catalog base and purchasing options by driving key suppliers to the Ariba B2B Commerce Platform.